



Health Services
LOS ANGELES COUNTY

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*To ensure access to high-quality,
patient-centered, cost-effective health
care to Los Angeles County residents
through direct services at DHS facilities
and through collaboration with
community and university partners.*



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July 17, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AUTHORITY TO ALLOW THE COUNTY OF LOS ANGELES
TO ACT AS THE HOST COUNTY FOR PURPOSES OF PAYING STATE
ADMINISTRATIVE COSTS ASSOCIATED WITH THE 1115 WAIVER AND
DELEGATION OF AUTHORITY TO EXECUTE AGREEMENTS WITH THE
CALIFORNIA DEPARTMENT OF HEALTH SERVICES AND OTHER
GOVERNMENTAL ENTITIES IN CONNECTION WITH THAT ROLE
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request authority for the County of Los Angeles, through its Department of Health Services, to act as the host county for purposes of paying the State's administrative expenses associated with the Low Income Health Program and request a delegation of authority to the Director of Health Services to sign an agreement with the California Department of Health Care Services and separate agreements with each County or other governmental entity that operates a Low Income Health Program to establish and effectuate the County's duties as the host county.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the County of Los Angeles, acting through the Department of Health Services (DHS), to act as the host county/fiscal intermediary effective on approval through June 30, 2014, for purposes of making payments on behalf of all Low Income Health Program (LIHP) participating entities to the California Department of Health Care Services (DHCS) to reimburse it, as required by law, for the non-federal share of its approved expenses incurred in connection with administering the LIHP at the State level.

2. Delegate authority to the Director of Health Services (Director), or his designee, to execute an agreement with DHCS, substantially similar to Exhibit I, which sets forth both parties' duties and responsibilities in connection with DHS' role as the host county for purposes of paying DHCS for its approved expenses incurred in administering the LIHP at the State level, effective on execution through June 30, 2014.
3. Delegate authority to the Director or his designee to execute agreements, substantially similar to Exhibit II, with each county or governmental entity which participates in the LIHP, which sets forth each party's duties in connection with DHS' role as the fiscal intermediary for purposes of paying DHCS, as required by law, for its allowable expenses incurred in connection with administering the LIHP at the State level, including the County's duty to pay its share, effective on execution through June 30, 2014, at a cost, for DHS' share of DHCS' expenses, not exceed \$500,000 per fiscal year (FY).
4. Delegate authority to the Director or his designee to amend the exhibit 1 to the agreements with each county or governmental entity which participates in the LIHP to reflect changes to the distribution formula or percentages approved by the LIHP Executive Committee.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The state statutes which created the LIHP require the counties or other governmental entities that operate LIHPs to pay the non-federal share of DHCS' staffing and other expenses incurred in connection with administering the LIHP at the State level. DHCS, working with the California Association of Public Hospitals (CAPH), determined that the most appropriate way to fulfill that obligation would be to use a single "host county," which will act as a fiscal intermediary between the counties and DHCS to collect the necessary amounts from itself and the other entities, and then make a single payment of approved expenses to DHCS. Los Angeles County was a logical choice as the volunteer to serve in this capacity.

The recommended actions will allow the County of Los Angeles (County), through DHS, to act as the host county, and will authorize the Director or his designee to sign two types of agreements in connection with that role. The first agreement, which will be substantially similar to Exhibit I, is with DHCS and sets forth the mechanisms by which reimbursable DHCS expenses are budgeted, approved, invoiced, paid, and, if necessary, appealed. The second set of agreements, which will be similar to Exhibit II, are with individual counties and other governmental entities which operate LIHPs and provides for DHS to collect from each entity its share of DHCS' allowable expenses and to pay over those amounts to DHCS. Both agreements include a commitment by the County to pay its share of the DHCS' expenses.

Implementation of Strategic Plan Goals

The recommended action support Goal 2, Fiscal Sustainability, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

DHS believes that the County will incur few, if any, marginal costs associated with performing its

fiscal intermediary functions as the host county. DHCS' expenses for FY 2011-212 estimated to be approximately \$1,400,000. As a participating LIHP, DHS must, by law, pay its share of DHCS' approved administrative expenses, which are approximately \$300,000 for FY 2011-12 and estimated to be no more than \$500,000 in other fiscal years. Funding for DHS' share of DHCS' expense is included in DHS' FY 2012-13 Adopted Budget and will be requested in future years, as necessary.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Since July 1, 2011, DHS has been participating in the LIHP authorized by the section 1115 (a) waiver, California Bridge to Reform Medicaid Demonstration (11-W-00193/9). The LIHP operated by DHS is called Healthy Way LA - Matched.

In authorizing the LIHPs, the Legislature wanted to be sure that it would be implemented without cost to the State. Accordingly, Welfare and Institutions Code sections 15911(j) and 14182.3(e) provide that entities with the LIHP must reimburse the State for the non-federal share of its staffing and other administrative expenses associated with administering the program. The State worked with CAPH to determine how that obligation would be fulfilled. The product of those discussions is the host county agreement with DHCS.

Under that agreement, a LIHP Executive Committee, composed of representatives from CAPH, the California State Association of Counties (CSAC), the County Health Executives Association of California (CHEAC), the County Medical Services Program (CMSP), the County of Los Angeles Department of Health Services, and two other counties, reviews and approves an annual budget from DHCS which defines the expenses considered to be reimbursable. The LIHP Executive Committee also receives and reviews semi-annual progress reports from DHCS, and approves any requests for mid-year budget adjustments. DHCS will invoice the host county quarterly for the non-federal share of its actual costs of administering the LIHP, up to the budgeted amount. DHS will then pay the invoices using funds received from the other LIHP entities as well as its own share. Irrespective of the amount invoiced by DHCS, the County is not obligated to pay more than the amount it has collected plus its own share of the cost. Thus, the County will not be responsible for any shortfall if any of the other entities fail to pay their full share.

Under the contract with DHCS, DHS would also have the right to appeal any inappropriate requests for payment, and may also prosecute appeals on the behalf of the LIHP Executive Committee. The agreement contains mutual indemnification provisions and can be terminated by either party on thirty days advance written notice. The agreement, which is effective on execution, expires on June 30, 2014, which is six months after the scheduled end of the LIHP. Because the State is the other party to the contract, the agreement does not include most of the standard County boilerplate provisions.

DHS would also enter into agreements with each county or other entity operating a LIHP, which will have the same term as the agreement with DHCS. Under those agreements, DHS will invoice each entity annually on a prospective basis for its share of the State's budgeted expenses based on a distribution formula set forth in the agreement, and will use the money exclusively to pay DHCS' allowable expenses. DHS would also be responsible for providing to each entity an annual reconciliation of paid amounts to the approved budget. These agreements will obligate other county or governmental entity to pay the amounts billed within thirty days. This agreement also commits the County to pay its share of DHCS' expenses. The agreement includes mutual indemnification, but makes each party responsible for its own federal claiming. DHS can terminate these agreements on sixty days written notice. The agreement does not include most of the standard County boilerplate provisions.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

These agreements assist DHS in fulfilling its obligation to pay DHCS' costs of administering the LIHP at the State level, which is a condition on its receipt of revenue as a LIHP participant. Such revenue has permitted the County to continue to provide health care services to its low income population.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is fluid and cursive, with the first name "Mitchell" written in a larger, more prominent script than the last name "Katz".

Mitchell H. Katz, M.D.

Director

MHK:hr

Enclosures

c: Chief Executive Office
County Counsel
Executive Officer, Board of Supervisors